

Message Text

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PAGE 01 NASSAU 01569 232002Z

64

ACTION ARA-10

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FM AMEMBASSY NASSAU

TO SECSTATE WASHDC IMMEDIATE 7264

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E.O. 11652: N/A

TAGS: EFIN BF

SUBJ: IRS PROBE IN BAHAMAS

1. TODAY'S MIAMI HERALD CARRIES A LEAD STORY IN SECTION 2 HEADLINED "TAX-CHEAT PROBE BEARS IRS ROW, DISPUTE INVOLVES UNDERCOVER INFORMANTS IN BAHAMAS."
 2. THE STORY BY MESSRS. JAMES SAVAGE AND PHIL GAILEY STATES THAT "DISCLOSURE OF OPERATION TRADEWINDS, A SECRET INTERNAL REVENUE SERVICE PROBE DESIGNED TO CATCH U.S. TAX CHEATS IN THE BAHAMAS, HAS REVEALED A GROWING INTERNAL DISPUTE WITHIN THE IRS."
 3. OTHER ASPECTS OF THE STORY WHICH DEALS WITH THE BAHAMAS CONNECTION INCLUDE THE FOLLOWING: BEGINNING IN 1965 JAFFE (IDENTIFIED AS RICHARD JAFFE, VETERAN IRS INTELLIGENCE DIVISION AGENT) BEGAN ENLISTING A GROUP OF APPROXIMATELY TEN PERSONS LIVING IN THE BAHAMAS TO SERVE AS CONFIDENTIAL INFORMANTS. ARTICLE STATES INFORMANTS WERE "IN TOP FINANCIAL AND POLITICAL CIRCLES IN NASSAU AND FREEPORT." JAFFE IS REPORTED TO HAVE TRAVELED BETWEEN NASSAU AND FREEPORT "EVERY FEW MONTHS" AND TO HAVE CARRIED ON EXTENSIVE CORRESPONDENCE BETWEEN VISITS. IN ADDITION TO HIGH RANKING ORGANIZED CRIME FIGURES, JAFFE'S INFORMANTS ARE REPORTED TO HAVE GATHERED TAX RELATED INFORMATION ABOUT VESCO, HOWARD HUGHES AND OTHERS. ARTICLE STATES THAT
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PAGE 02 NASSAU 01569 232002Z

"JAFFE'S INFORMATION GATHERING IN BAHAMAS WAS KNOWN TO THE U.S.

STATE DEPARTMENT AND THE U.S. JUSTICE DEPARTMENT." THE STATE DEPARTMENT IS REPORTED TO HAVE RAISED NO OBJECTIONS TO THE OVERSEAS IMPLICATIONS.

4. STORY GOES ON TO NOTE THAT IT WAS NOT CLEAR WHETHER THE GOVERNMENT OF LYNDEN PINDLING WAS AWARE OF JAFFE'S ACTIVITIES. IT STATES THAT "A SPOKESMAN FOR THE BAHAMAS GOVERNMENT SAID HE WAS RESEARCHING INFORMATION ABOUT JAFFE'S ACTIVITIES IN THE BAHAMAS AND WOULD HAVE A STATEMENT TODAY." ARTICLE FURTHER STATES THAT ONE SOURCE PREDICTED "PINDLING WOULD STRENUOUSLY OBJECT TO THE SECRET IRS PROBE BECAUSE OF THE BAHAMAS TRADITIONAL CUSTOM OF OFFERING COMPLETE SECRECY FOR AMERICAN INVESTORS." WEISS

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